



**State of New Jersey**

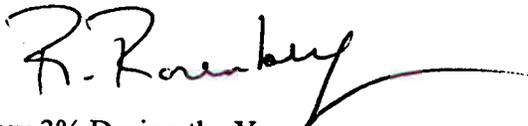
DEPARTMENT OF EDUCATION  
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TRENTON, NJ 08625-0500

JAMES E. MCGREEVEY  
*Governor*

WILLIAM L. LIBRERA  
*Commissioner*

February 14, 2003

TO: Chief School Administrators  
School Business Administrators/Board Secretaries

FROM: Richard Rosenberg  
Assistant Commissioner 

SUBJECT: Appropriating Surplus Below 3% During the Year

I am writing to provide additional guidance regarding a district's written request for County Superintendent approval to appropriate surplus during the year if the appropriation will drop the district below three percent of its proposed budget. This memo applies to all regular and vocational school districts not otherwise restricted to a lower amount by law; therefore, it doesn't apply to Abbott districts that receive additional supplemental funding. Moreover, all Abbott districts are subject to department approval for appropriation of any surplus in accordance with the previously issued Abbott transfer guidelines.

Under the revised finance and business services rules (N.J.A.C. 6A:23-8.6(b)1) adopted on August 5, 2002, regular (non-Abbott) and vocational boards of education cannot transfer unreserved, undesignated fund balance such that the remaining unreserved general fund balance is less than three percent of the district's proposed budget "without a written request and detailed justification to, and approval from, the County Superintendent." This requirement is effective beginning in the current school year (2002-03) and the purpose of this memo is to augment the information provided in the 2003-04 Budget Guidelines (Executive Summary and on page 101) and regional budget sessions on the request and approval process. Attached is a sample worksheet of the three percent calculation that can be used to determine the amount applicable for the current school year (2002-03). For 2003-04 and beyond, the new supporting documentation 5, line (B) will provide the amount.

Regular and vocational school districts required to request approval under this provision should submit the written request and justification to the County Superintendent prior to requesting their board of education approval of the surplus transfer. Only after such written approval is provided, should a district board of education adopt a board resolution to transfer undesignated fund balance for the approved purpose.

Every district requesting approval should provide and certify in its written request to the County Superintendent the following:

1. the specific purpose for appropriation of the additional fund balance;
2. a statement why the appropriation is necessary to implement the CCCS and provide a thorough and efficient education and why it cannot be postponed until the next school year;
3. a statement that all possible reallocations from other line-item accounts have been analyzed and made; and
4. a statement that the district has completed a thorough analysis of anticipated future expenditures and revenue and such analysis supports the district's determination that the remaining unreserved fund balance will enable the district to operate for the remainder of the school year in a fiscally solvent and prudent position.

The County Superintendent, at their discretion, may also request submission of the district's most recent board secretary's report, if the board secretary's report for that district on file in the county office cannot provide adequate support to the district's request. The County Superintendent's review of the board secretary report will ensure that the report is up to date, balances accordingly, and supports the current fund balance estimates based on the district's original budgeted fund balance and subsequent appropriations and/or additional revenues realized to date.

The County Superintendent's approval will be based on the district's written statements outlined above, its determination that the board secretary's report does not conflict with those statements, and its determination that the purpose is necessary for T&E and cannot be postponed. If the district's written request is complete, the County Superintendent review and subsequent approval or denial should be completed within 10 working days of receipt.

Any district that is denied approval by the County Superintendent may request a review of the decision by its Regional Assistant Commissioner in consultation with the Assistant Commissioner for Finance. That review must be requested in writing to the Regional Assistant Commissioner within 10 working days of receipt of the County Superintendent's written decision.

Chief School Administrators  
School Business Administrators/Board Secretaries  
February 14, 2003

I hope you find this additional guidance helpful and don't hesitate to contact your County Superintendent if you have any questions on the process.

Attachment

RR:KA:\Referrals\2-13approp3percent.doc

c: Dwight Pfennig  
Albert Monillas  
Michael Rush  
Judith Weiss  
Katie Attwood  
Tina Dabrow  
County Superintendents  
County School Business Administrators  
Regional Fiscal Staff

**Three Percent Surplus Calculation  
Applicable for 2002-03 School Year**

2002-03 Proposed General Fund Budget (From line 9470, col. 4) \_\_\_\_\_ (A)

Greater of .03 x (A) \$ \_\_\_\_\_ or \$75,000 \_\_\_\_\_ (B)

*Any transfer of surplus during 2002-03 that would reduce the district's surplus levels below the amount on Line (B) requires a written request and approval by the County Superintendent.*